

# KEY INDICATORS FOR THE EURO AREA



## European Commission, DG ECFIN

### Key indicators for the euro area

this update: 2 May 2006

next update: 1 June 2006

		2002	2003	2004	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06
<b>1 Output</b>										
Industrial confidence <sup>1.1</sup>	Balance	-12	-11	-5	-7	-5	-4	-2	-1	1
Industrial production <sup>1.2</sup>	mom % ch.	-0.7	0.5	2.0	1.4	0.2	0.2	0.0		
		2002	2003	2004	04Q4	05Q1	05Q2	05Q3	05Q4	06Q1
Gross domestic product <sup>1.3</sup>	qoq % ch.				0.2	0.3	0.4	0.7	0.3	
<b>2 Private consumption</b>										
Consumer confidence <sup>2.1</sup>	Balance	-11	-18	-14	-13	-11	-11	-10	-11	-10
Retail sales <sup>2.2</sup>	mom % ch.	1.1	0.1	0.2	0.1	-0.1	0.5	-0.2		
		2002	2003	2004	04Q4	05Q1	05Q2	05Q3	05Q4	06Q1
Private consumption <sup>2.3</sup>	qoq % ch.	0.6	1.1	1.6	0.8	0.1	0.3	0.5	0.1	
<b>3 Investment</b>										
Capacity utilization <sup>3.1</sup>	%	81.2	80.7	81.6	82.1	81.9	81.1	80.9	81.1	81.7
Gross fixed capital formation <sup>3.2</sup>	qoq % ch.	-2.0	0.9	2.3	0.6	0.2	1.2	1.0	0.3	
Change in stocks <sup>3.3</sup>	% of GDP	-0.1	0.0	-0.1	0.4	0.3	0.3	0.1	0.6	
<b>4 Labour market</b>										
Unemployment <sup>4.1</sup>	%	8.2	8.4	8.9	8.3	8.3	8.3	8.2		
		2002	2003	2004	04Q4	05Q1	05Q2	05Q3	05Q4	06Q1
Employment <sup>4.2</sup>	yoy % ch.	0.7	0.3	0.7	0.8	0.6	0.6	0.6	0.8	
Shortage of labour <sup>4.3</sup>	%	3.8	2.5	2.4	2.1	2.2	2.0	2.1	2.8	2.4
Wages <sup>4.4</sup>	yoy % ch.	2.9	2.5	2.2	1.9	2.7	2.2	2.2	2.1	
<b>5 International transactions</b>										
Export order books <sup>5.1</sup>	Balance	-22	-24	-13	-14	-11	-11	-9	-6	-2
World trade <sup>5.2</sup>	Index	125	132							
Exports of goods <sup>5.3</sup>	Bn. EUR	776.9	1038.6	1142.1	108.2	109.8	110.0	109.3		
Imports of goods <sup>5.4</sup>	Bn. EUR	781.6	970.4	1069.1	107.3	112.5	110.5	112.0		
Trade balance <sup>5.5</sup>	Bn. EUR	-4.7	68.2	73.0	0.8	-2.6	-0.5	-2.7		
		2002	2003	2004	04Q4	05Q1	05Q2	05Q3	05Q4	06Q1
Exports of goods and services <sup>5.6</sup>	qoq % ch.	2.1	0.6	5.9	0.4	-0.2	1.6	2.7	0.7	
Imports of goods and services <sup>5.7</sup>	qoq % ch.	0.5	2.6	6.1	1.4	-1.2	2.1	2.9	1.3	
		2002	2003	2004	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06
Current account balance <sup>5.8</sup>	Bn. EUR	44.9	18.1	42.4	-11.2	-3.4	-0.7	-5.6		
Direct investment (net) <sup>5.9</sup>	Bn. EUR	-11.0	-18.4	-39.7	-12.9	-5.3	4.9	-25.9		
Portfolio investment (net) <sup>5.10</sup>	Bn. EUR	64.4	-9.4	39.0	-34.7	-13.8	-37.1	19.8		
<b>6 Prices</b>										
HICP <sup>6.1</sup>	yoy % ch.	2.3	2.1	2.2	2.4	2.2	2.4	2.3	2.2	2.4
Core HICP <sup>6.2</sup>	yoy % ch.	2.5	2.0	2.1	1.5	1.4	1.3	1.3	1.4	
Producer prices <sup>6.3</sup>	yoy % ch.	1.7	1.6	2.3	4.2	4.7	5.2	5.4		
Import prices <sup>6.4</sup>	Index	97.9	102.5	97.2	109.4	110.5				
<b>7 Monetary and financial indicators</b>										
Interest rate (3 months) <sup>7.1</sup>	% p.a.	3.3	2.3	2.1	2.4	2.5	2.5	2.6	2.7	2.8
Bond yield (10 years) <sup>7.2</sup>	% p.a.	4.8	4.1	4.1	3.5	3.4	3.3	3.5	3.7	3.9
ECB repo rate <sup>7.3</sup>	% p.a.	3.25	2.75		2.25	2.25	2.25	2.50	2.50	2.50
Stock markets <sup>7.4</sup>	Index	3053	2420	2805	3405	3548	3627	3744	3815	3841
M3 <sup>7.5</sup>	yoy % ch.	5.6	7.8	5.9	7.6	7.5	7.6	8.1		
Credit to private sector (loans) <sup>7.6</sup>	yoy % ch.	7.7	5.0	6.0	9.0	9.1	9.6	10.3	10.8	
Exchange rate USD/EUR <sup>7.7</sup>	Value	0.95	1.13	1.24	1.18	1.19	1.21	1.19	1.20	1.23
Nominal effective exchange rate <sup>7.8</sup>	Index	95.1	106.4	109.8	107.6	107.8	108.7	108.2	109.0	110.3



## Comments

### 1. Output

The Commission's **industrial confidence** indicator increased by 2 points in April. This development extends the upward path, which began towards the end of the second quarter of 2005. Since the end of last year, the indicator has risen by 6 points. The increase in the confidence indicator was largely due to a marked improvement in the assessment of order books. With regard to the other components, managers held a more positive view on their stocks of finished products, while production expectations were unchanged.

**Industrial production** in the euro area remained stable in February 2006 compared to the previous month. On an annual basis, industrial production increased by 3.2% vis-à-vis the same period in 2005. Month-on-month production of non-durable consumer goods, capital goods and energy increased, while production of intermediate and durable consumer goods declined.

Eurostat's second estimate of **gross domestic product** for the fourth quarter of 2005 shows an increase of 0.3% over the previous quarter. In comparison with the same quarter of the previous year, GDP grew by 1.8%.

The **Commission's dynamic factor model** for quarterly euro-area GDP growth projects GDP growth in the range of 0.4% to 0.8% for the first quarter of 2006, slightly lower compared to the previous release. The projected range for GDP growth is 0.3% to 0.8% in the second quarter and 0.2% to 0.8% in the third quarter, both revised marginally downwards.

### 2. Private consumption

The **Consumer confidence** indicator recovered from the small setback in March, with a small improvement of 1 point in April. It seems that the indicator remains on the upward path that began during the second half of 2005. The increase in the indicator was mainly due to more positive expectations about the general economic situation.

In February 2006, the volume of **retail sales** fell by 0.2%, compared to the previous month. Vis-à-vis the same period in 2005, retail sales grew by 1.0%.

**Private consumption** increased by 0.1% in the last quarter of 2005 (q-o-q), after a 0.5% rise in the previous quarter. On an annual basis, household final consumption expenditure rose by 1.1%.

### 3. Investment

**Gross fixed capital formation** rose by 0.3% in the fourth quarter of 2005 (q-o-q), after a rise of 1.0% in the previous quarter. On an annual basis, investment increased by 2.7%, compared to a 3.1% rise in the third quarter. The change in **stocks** as a percentage of GDP amounted to 0.6% in the fourth quarter of 2005. According to the quarterly manufacturing survey, **capacity utilisation** in the manufacturing sector increased to 82.4% in the second quarter of 2006. This is slightly above its long-term average.

### 4. Labour market

In February 2006, the **unemployment** rate stood at 8.2%, compared to 8.3% in January. It was 8.8% one year ago.

Total **employment** in the euro area rose by 0.8% (y-o-y) in the fourth quarter of 2005, it had increased by 0.6% in the previous quarter. The growth rate registered one year ago was also 0.8%. Employment expectations in February were unchanged from the previous month.

The level of recorded **labour shortages** increased by 0.1 pp in the third quarter of 2005: 2.1% of firms reported that unfilled job openings were constraining production.

### 5. International transactions

The assessment of **export order books** in manufacturing improved by four points in April. The estimate of the **trade balance** for the euro area revealed a 2.7 bn euro deficit in February 2006, compared to a revised deficit of 0.5 bn euro in the previous month. The deterioration in the trade balance was the result of an increase in **imports of goods** (+1.5 bn euro) and a decrease in **exports of goods** (-0.7 bn euro). In the fourth quarter of 2005, **exports of goods and services** (in volume terms) were up by 0.7% and **imports** by 1.3% (q-o-q). Compared to one year earlier, exports and imports rose by 4.9% and 5.2%, respectively.

The seasonally-adjusted **current account** of the euro area showed a deficit of 5.6 bn euro in February 2006 (corresponding to a deficit of 1.8 bn euro in non seasonally-adjusted terms). This reflected deficits in both current transfers (6.0 bn euro) and income (2.7 bn euro), which were only partly offset by the surpluses in services (2.6 bn euro) and goods (0.5 bn euro). In the **financial**



**account**, combined direct and portfolio investment recorded net outflows of 6 bn euro in February 2006, reflecting net outflows in **direct investment** (26 bn euro) that were partly compensated by net inflows in **portfolio investment** (20 bn euro).

## 6. Prices

According to Eurostat's flash estimate, euro area annual **HICP inflation** increased to 2.4% in April 2006, up from 2.2% in March. In March 2006 the impact of higher energy prices (oil, petrol) remained the key determinant of price increases. The highest annual inflation rates were recorded for housing (5.1%), transport (4.1%), alcohol and tobacco (3.0%), education (2.6%) and hotels and restaurants (2.4%), whereas declines were observed for communication (-3.5%) and recreation and culture (-0.1%). The largest absolute contributions to the HICP inflation rate were again energy-price related. They stemmed from fuels for transport (annual increase of 10.1%), gas (14.9%), heating oil (17.9%) and district heating (19.1%) that accounted for 0.33, 0.18, 0.13 and 0.08 percentage points of HICP inflation, respectively. The **core inflation** rate (HICP excluding energy and unprocessed food) increased from 1.3% in February to 1.4% in March 2006.

In late April 2006, **oil prices** stood above 70 US dollar per barrel (Brent) and thereby clearly higher than at the end of 2005 (59 US dollar per barrel) and in previous months. Increased concerns about possible supply disruptions in Iran and strong demand increases in Asia were quoted as reasons for price increases. Partial relief resulted from the announcement of the US administration to suspend crude oil deliveries to the emergency reserve.

In February 2006, **producer price** inflation increased to 5.4%, up from 5.3% in January 2006. Among the main components, the highest annual inflation rate was again recorded for energy (19.7%). Producer prices excluding energy and construction increased at an annual rate of 1.7% suggesting that the indirect effects of higher energy prices have remained limited in the period up to February 2006.

## 7. Monetary and financial indicators

On 2 March 2006, the ECB Governing Council decided to raise policy interest rates by 25 basis points. The minimum bid rate on the main refinancing operations of the Eurosystem now stands at 2.50%. In 2006, euro area money markets have been strongly affected by market expectations

of future changes in ECB policy interest rates. In late April 2006, the **three-month money market rate** stood close to 2.80% pointing to market expectations of another increase in policy interest rates in June 2006. **Government bond yields** have continued to increase in April 2006 and stood at around 4.0% in late April, the highest level since late 2004. The euro area **yield curve** (as measured by the difference between long-term yields and three-month interest rates) steepened in April.

**M3 growth** accelerated further in March 2006. The annual growth rate increased to 8.6%, from a revised 7.9% in February. The three-month moving average of M3 growth increased to 8.1% in the period January to March 2006. The most liquid components continued to grow faster than the aggregate. The annual growth rate of M1 increased from 9.9% in February to 10.1% in March. The still very low level of interest rates remained a key determinant of monetary developments. The annual rate of **credit growth (loans)** to the private sector accelerated from a revised rate of 10.4% in February to 10.8% in March. Lending for house purchase grew even stronger in response to low mortgage interest rates and house price dynamics (+12.1% in March). All in all, the increases in the annual growth rates in monetary and credit aggregates point to a limited impact of past increases in policy interest rates and support the view of ample liquidity conditions in the euro area.

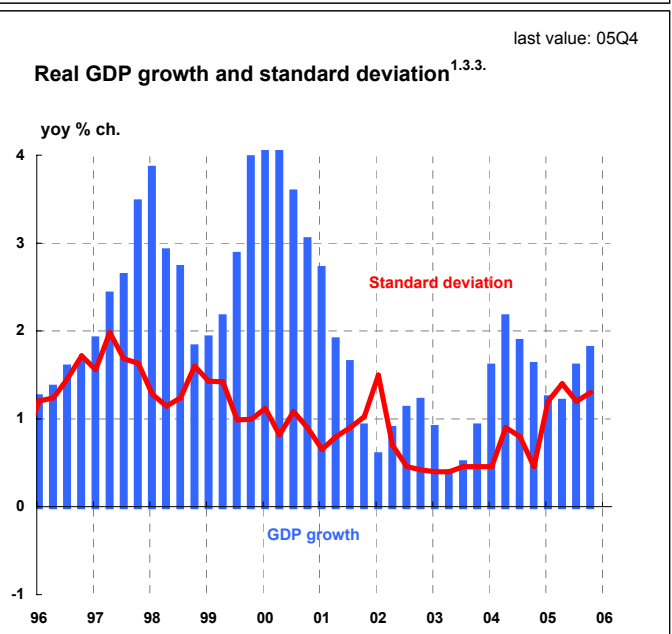
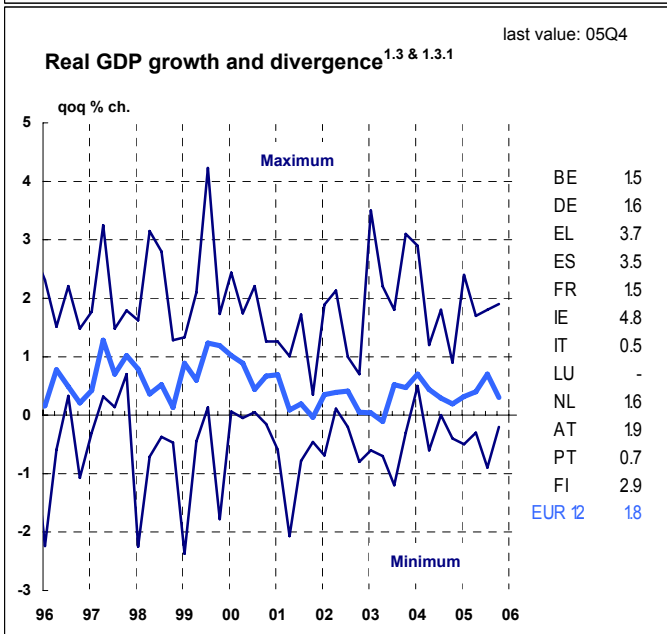
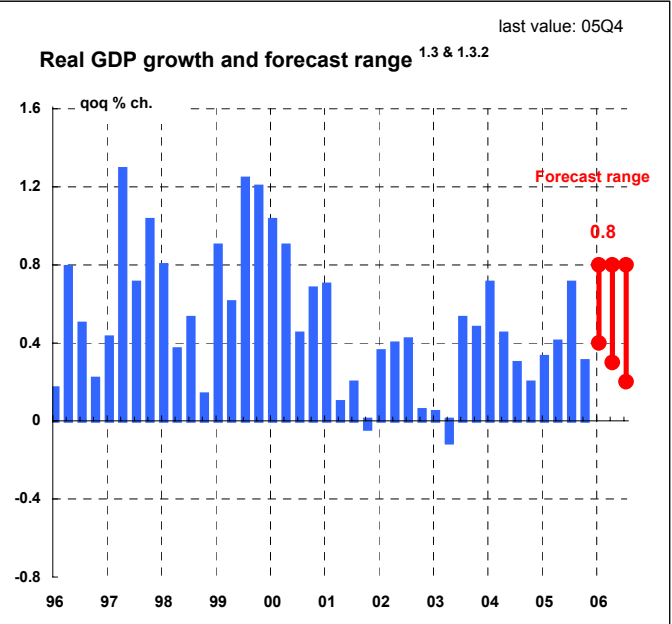
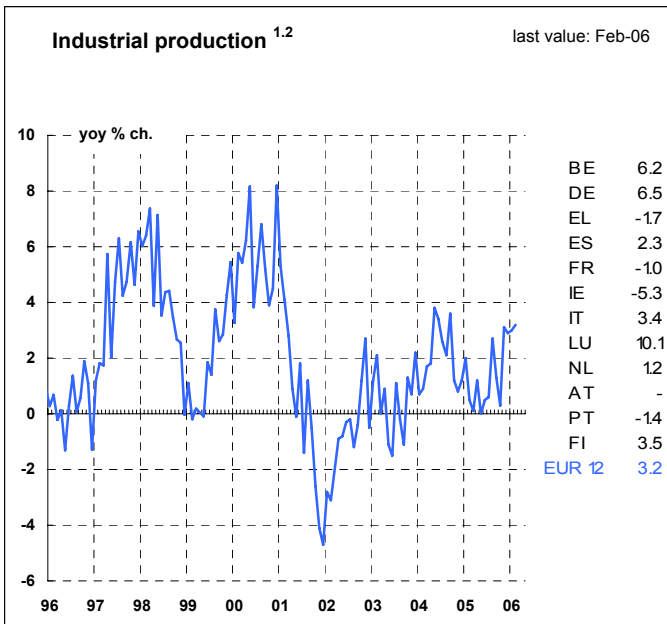
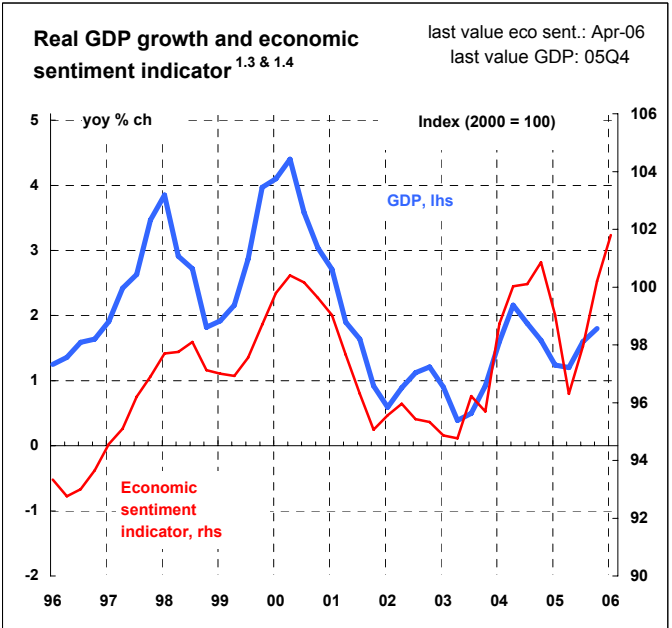
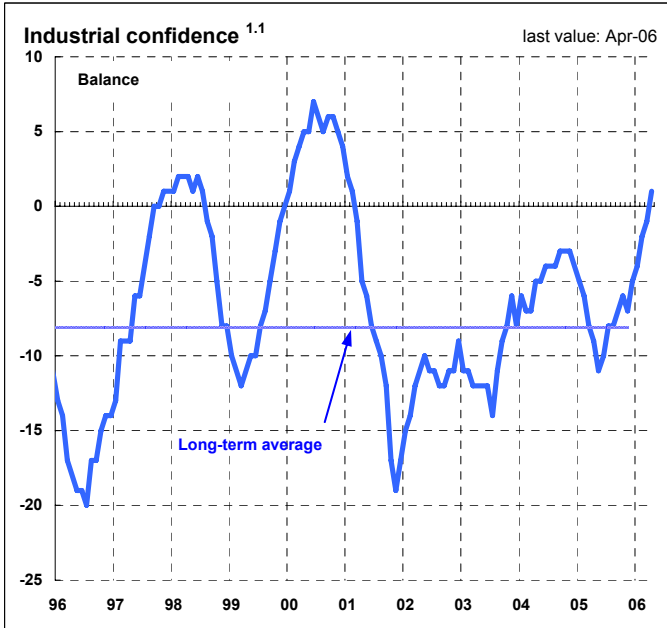
The **euro exchange rate** increased in April 2006 and stood at around 1.25 US dollar per euro on 28 April. Changes in interest rate expectations in the US and in the euro area as well as concerns about external imbalances were again among the main determinants of exchange market developments.

In April 2006, equity markets in the euro area and the US remained very strong. Euro area stock prices returned to levels that were last seen in April 2002. The positive impact of solid earning reports and a positive economic outlook were only partially offset by pressures emerging from oil price increases. In late April the **EuroSTOXX50** stood very close to this year's peak and about 10 percent higher than at the end of last year.

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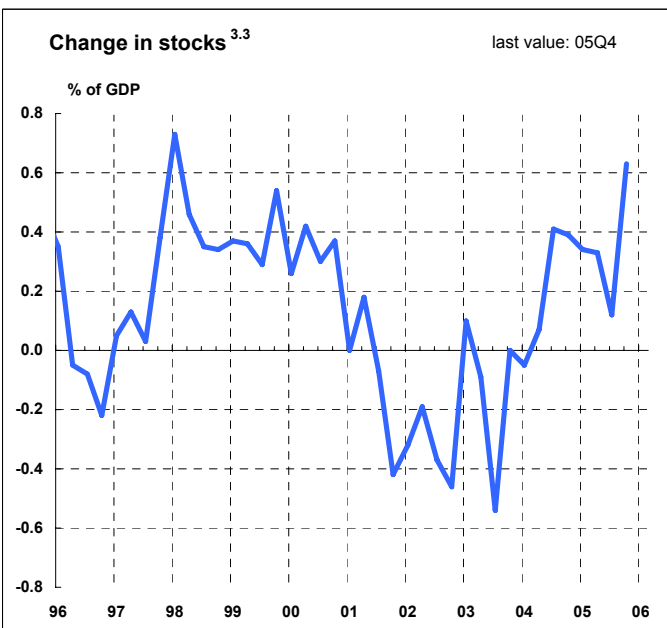
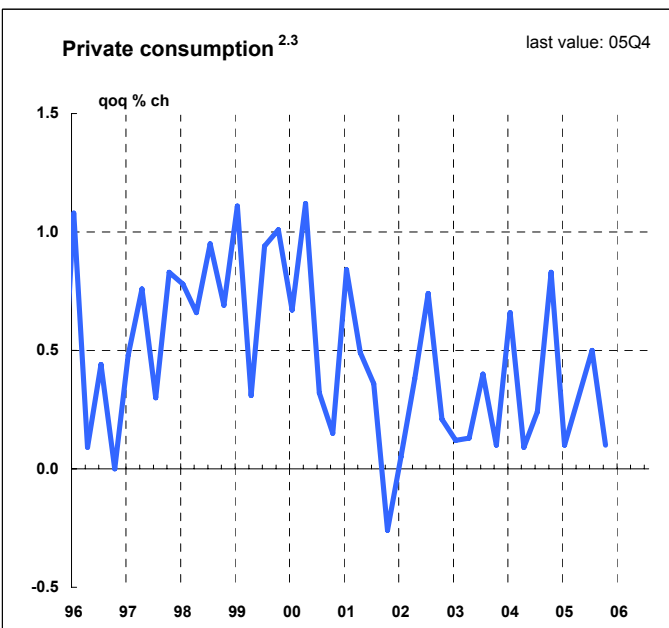
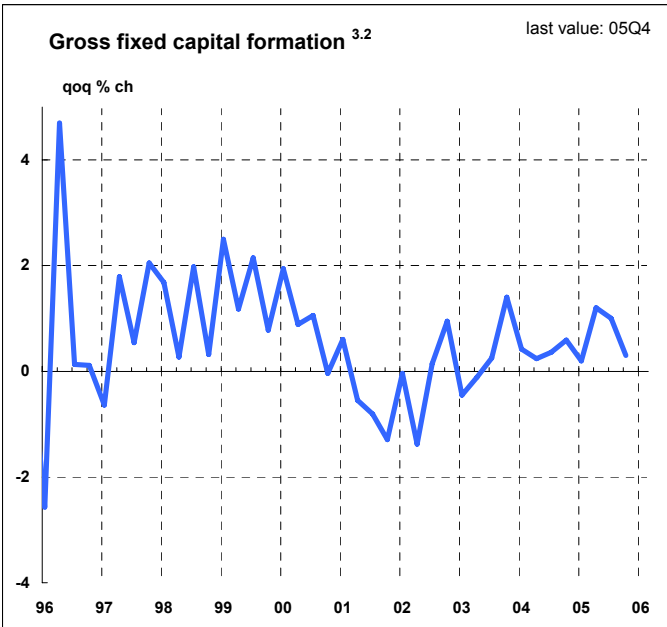
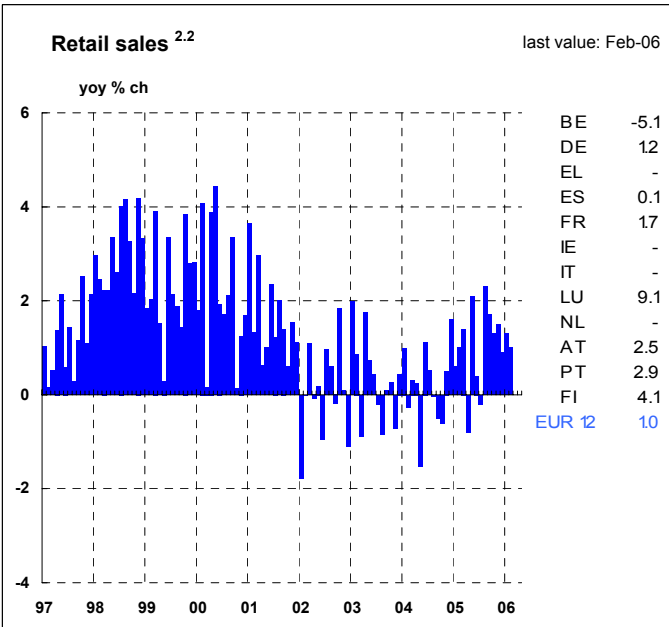
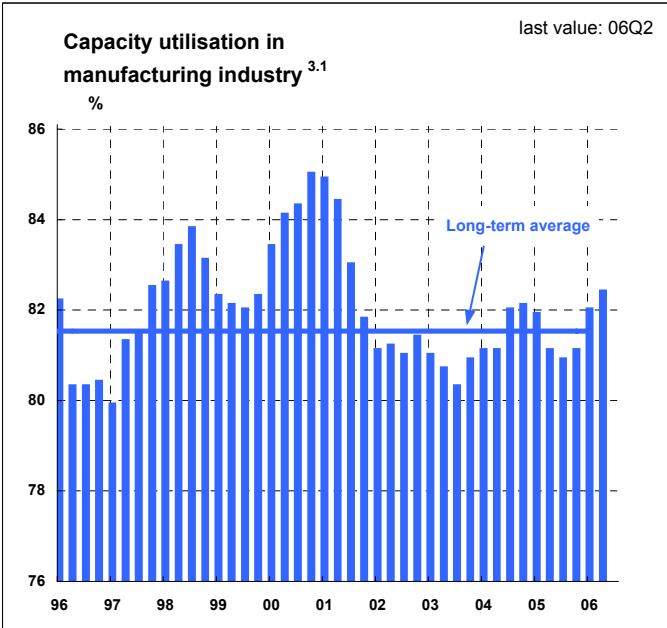
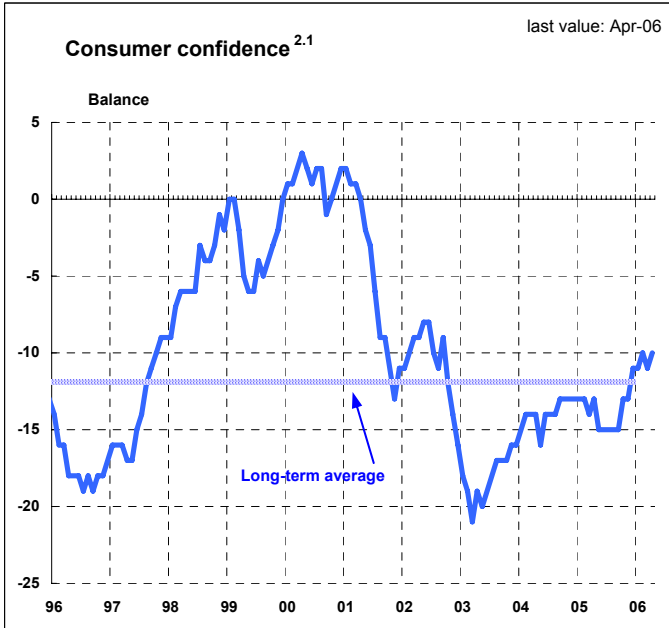
## 1. OUTPUT





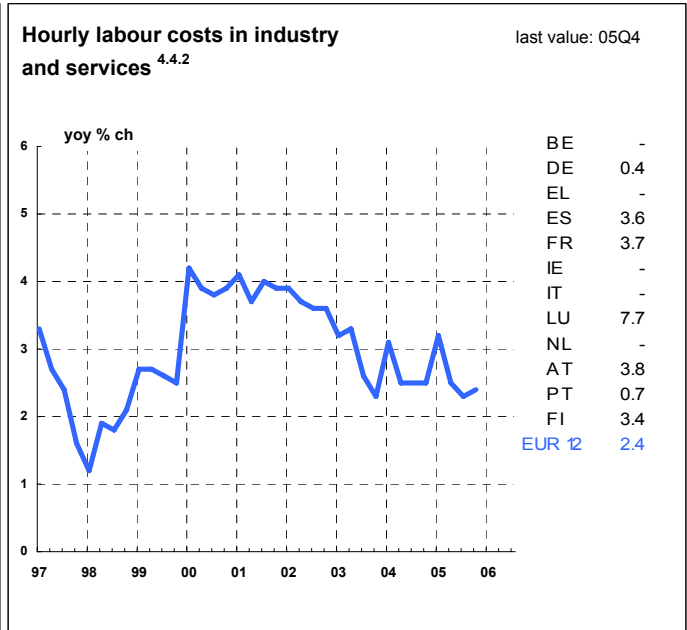
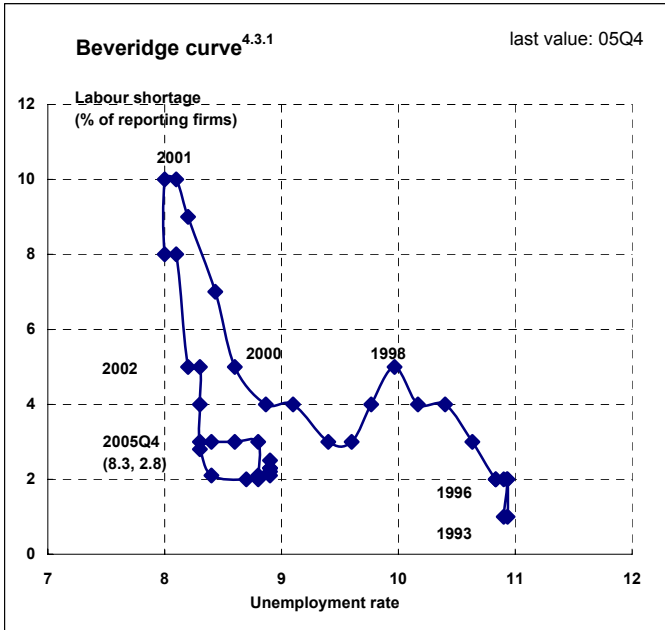
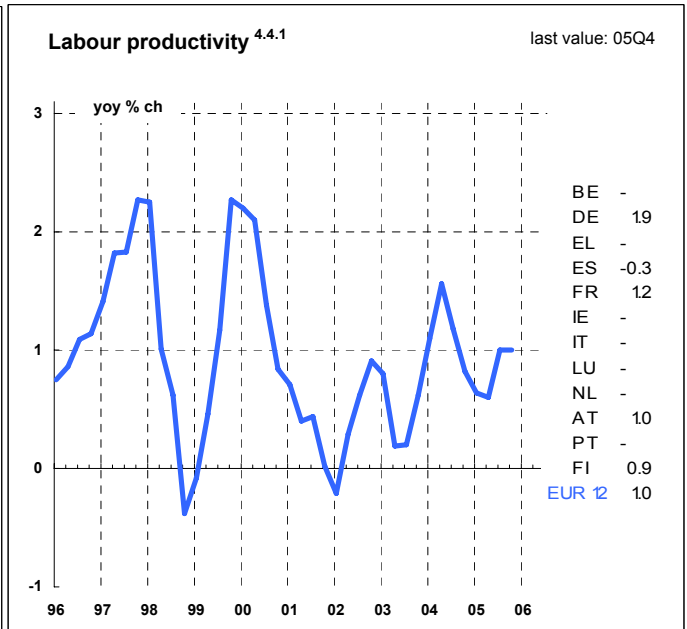
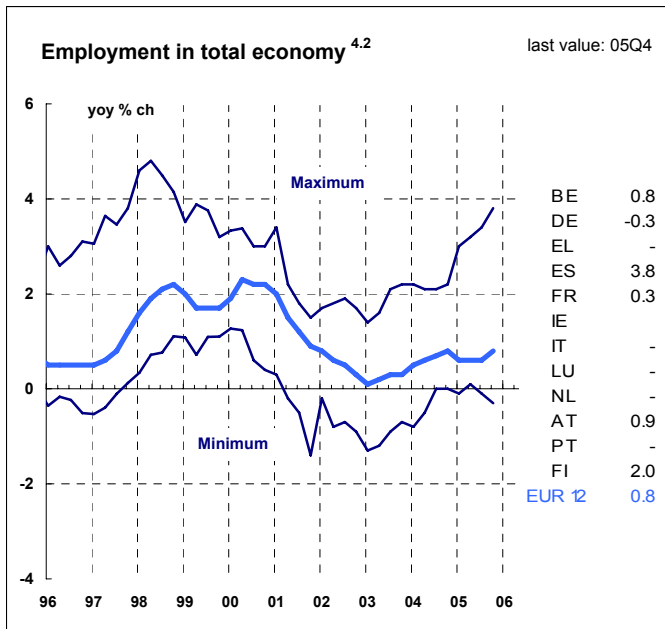
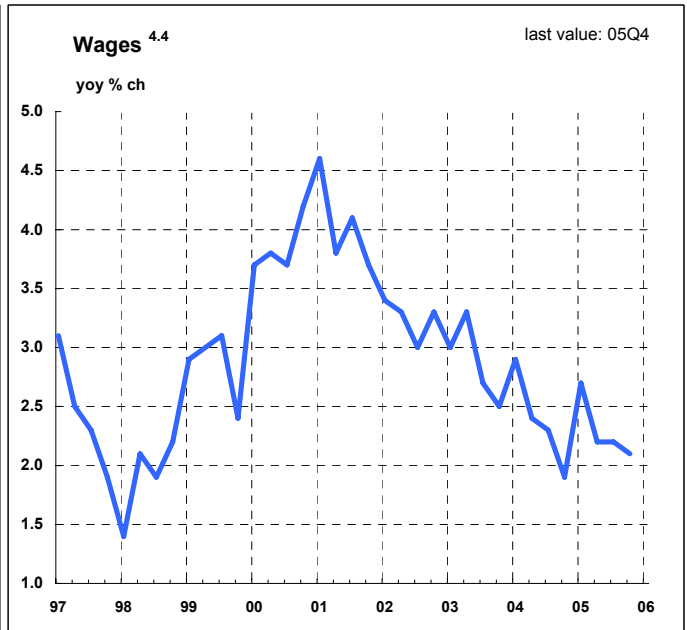
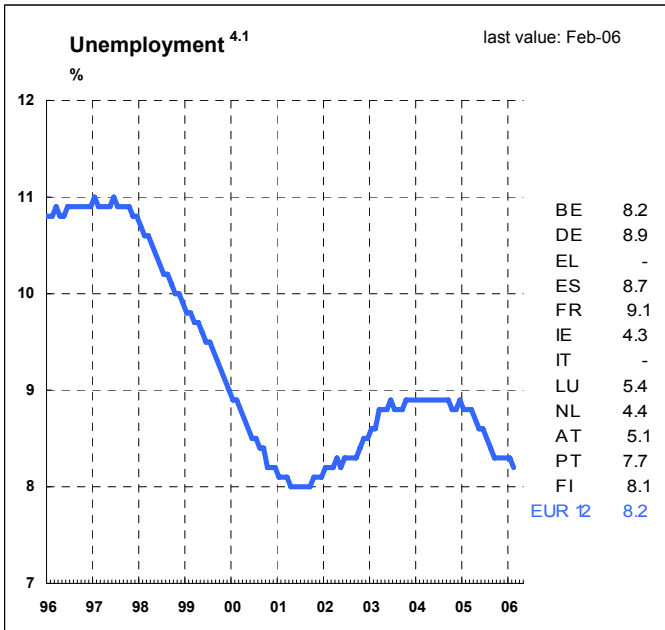
2. PRIVATE CONSUMPTION

3. INVESTMENT



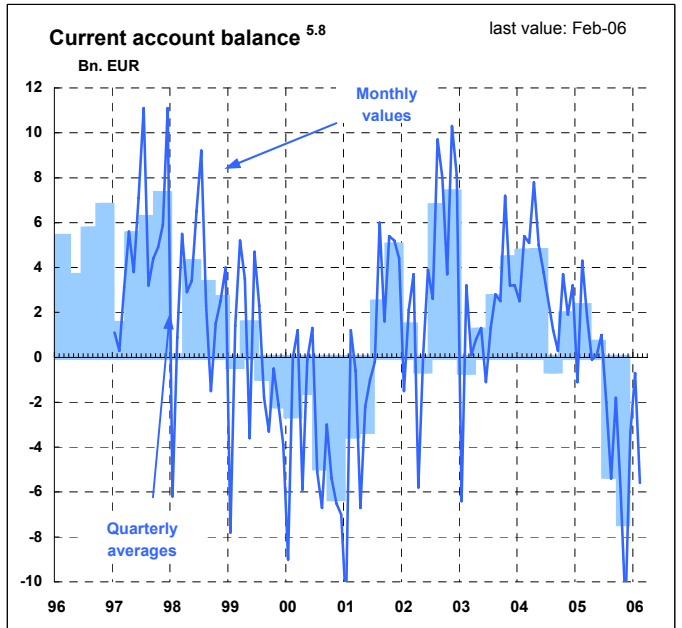
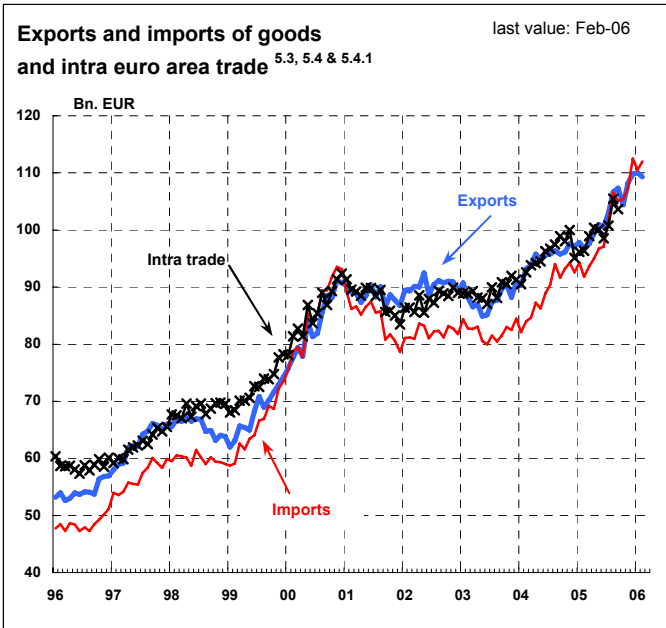
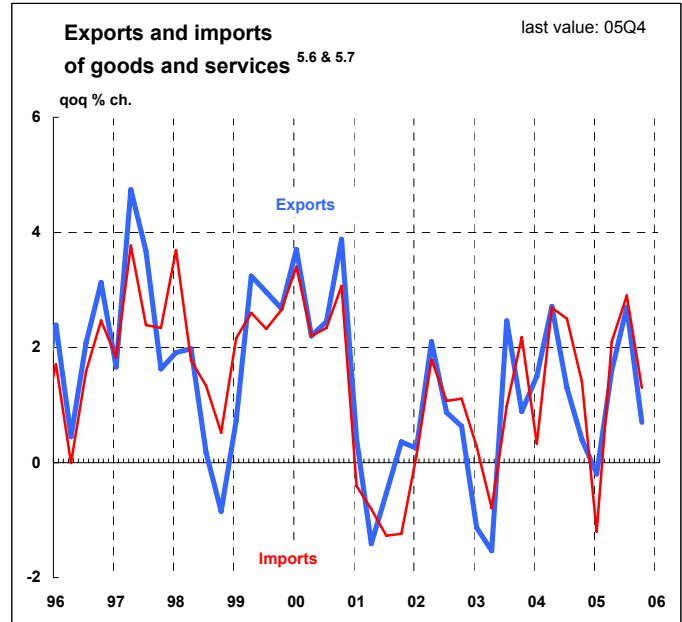
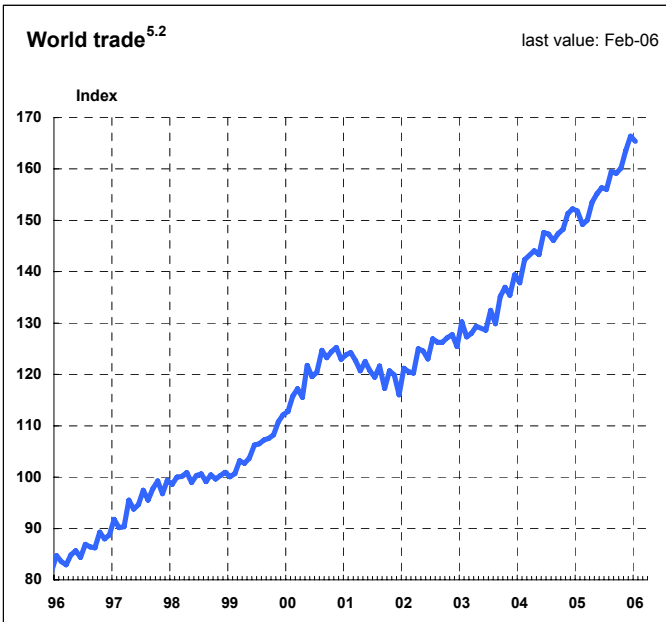
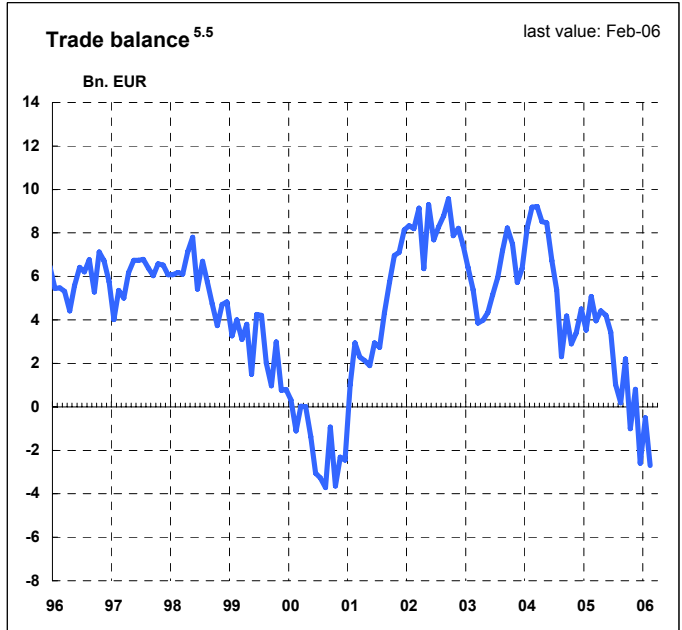
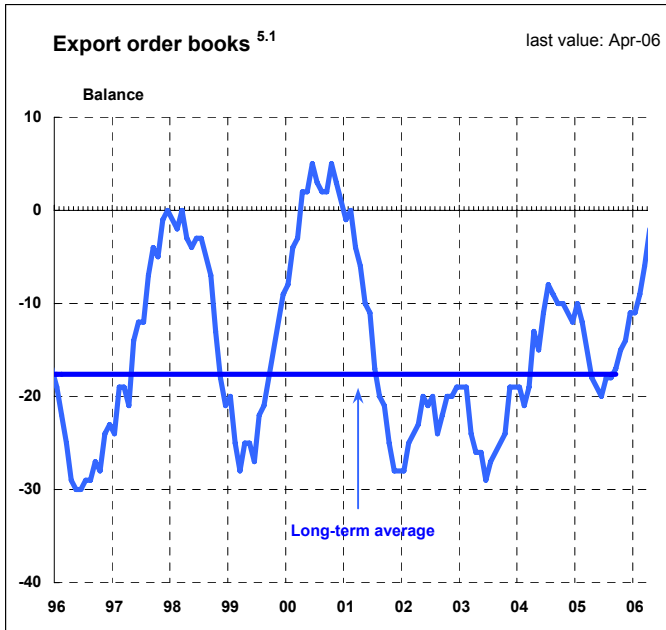


4. LABOUR MARKET



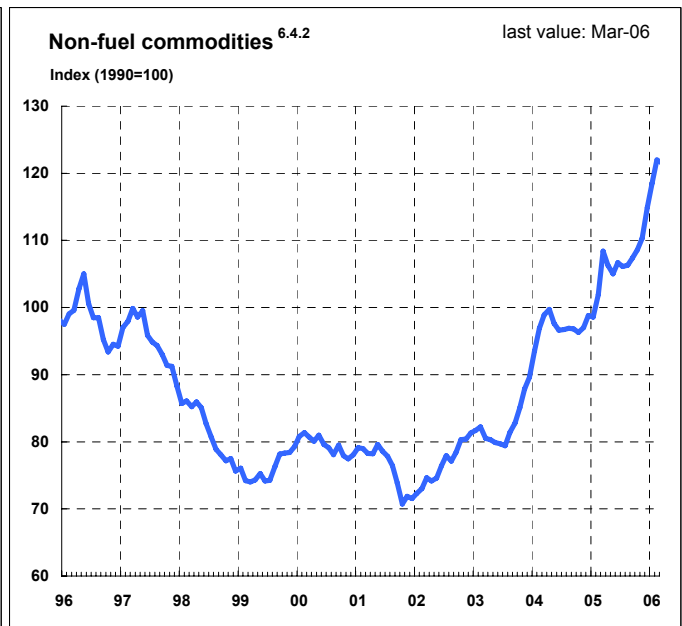
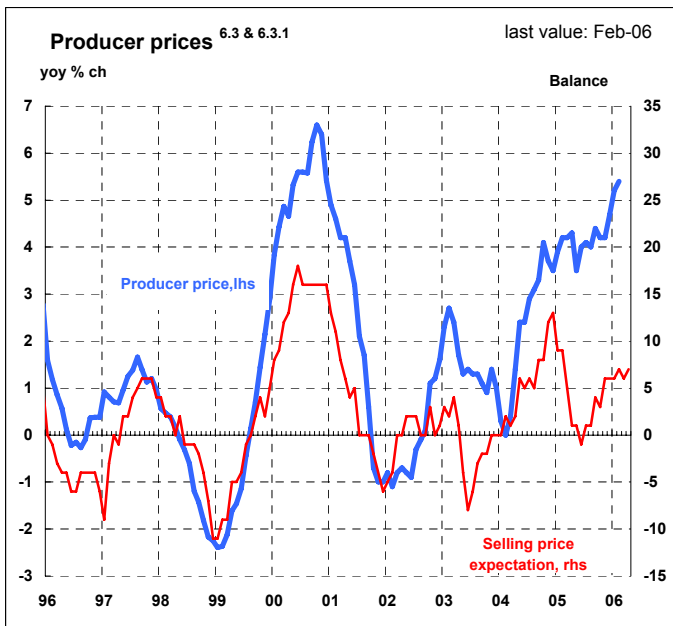
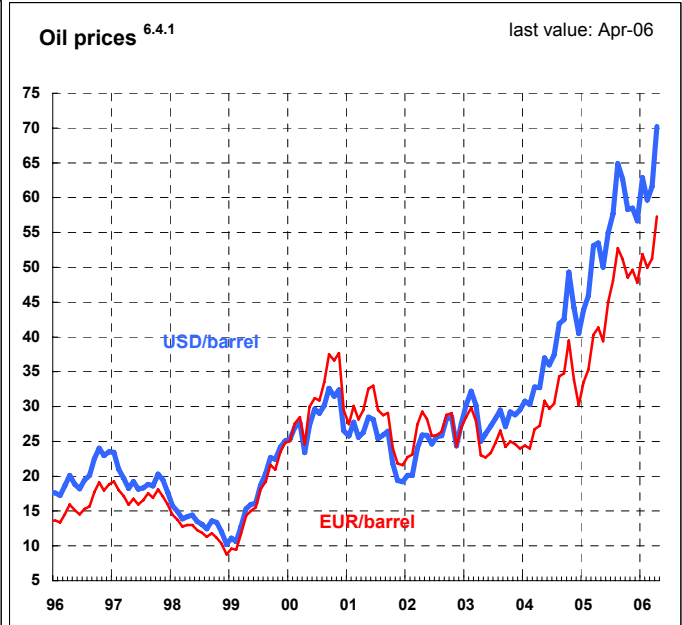
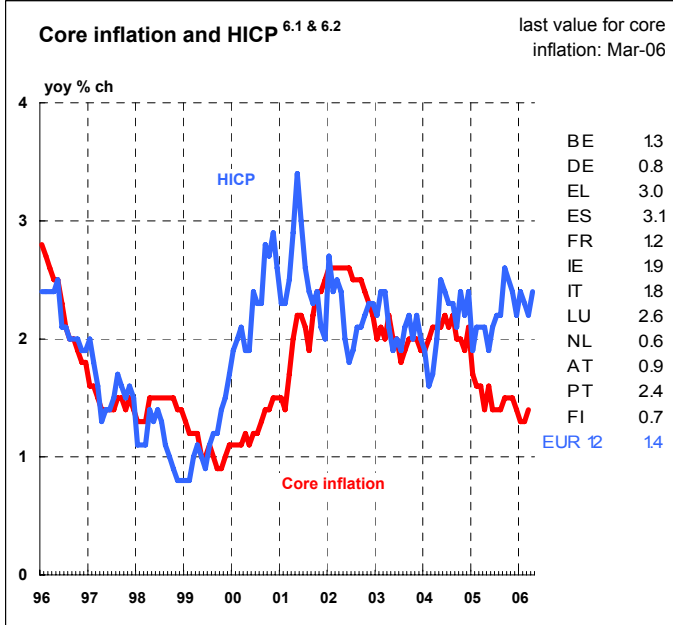
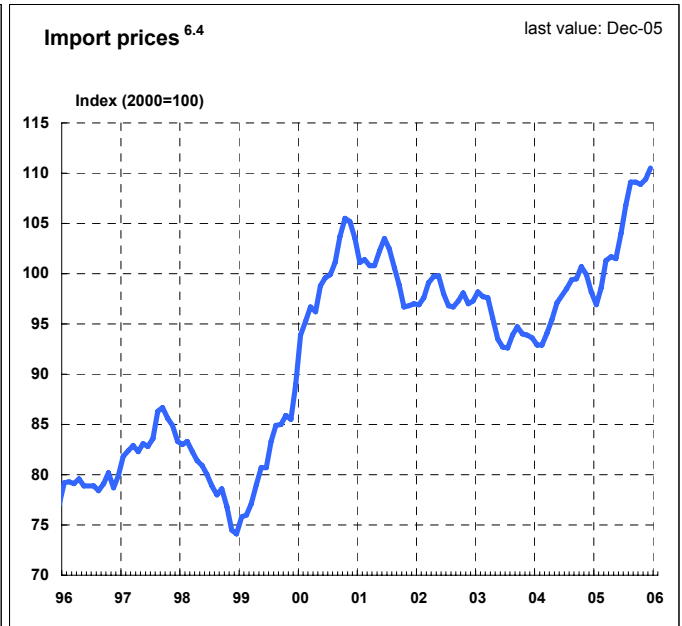
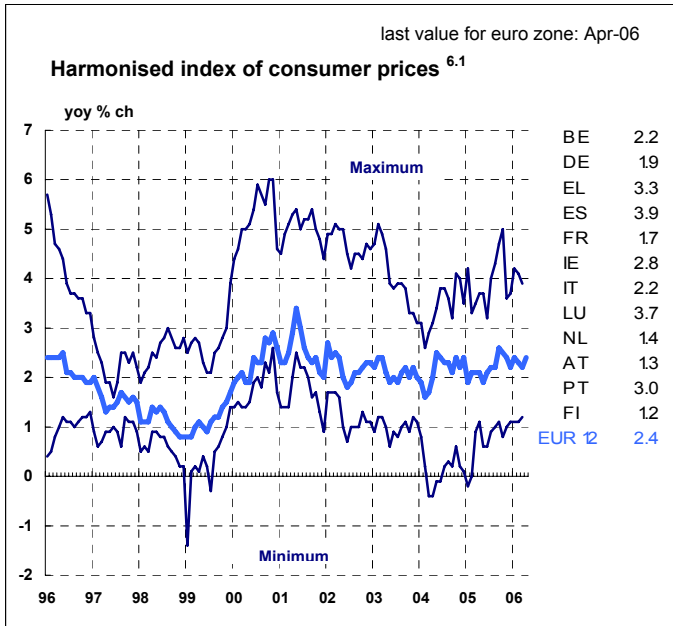


5. INTERNATIONAL TRANSACTIONS





## 6. PRICES

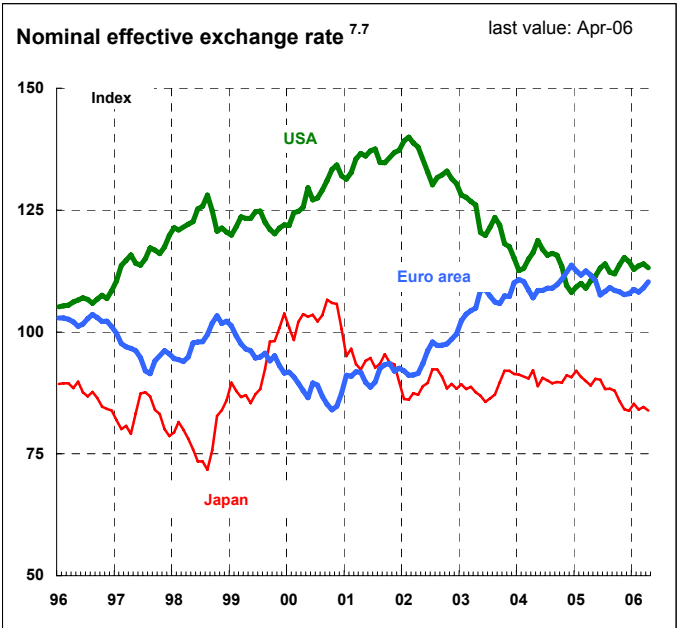
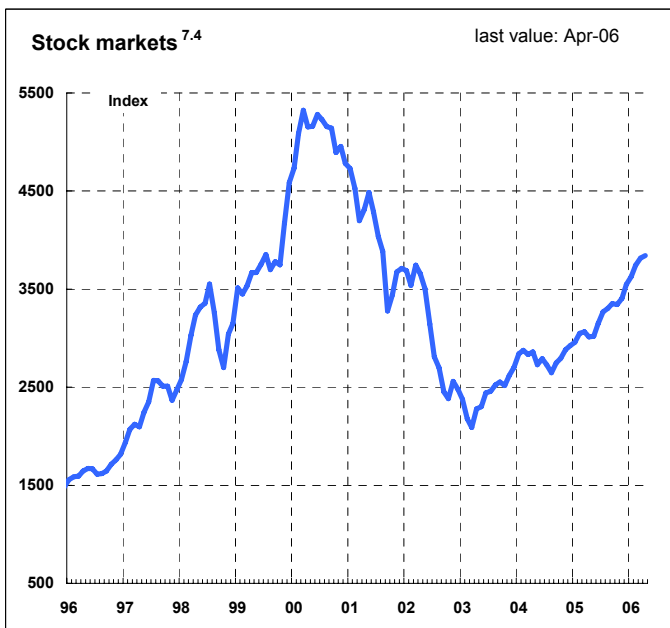
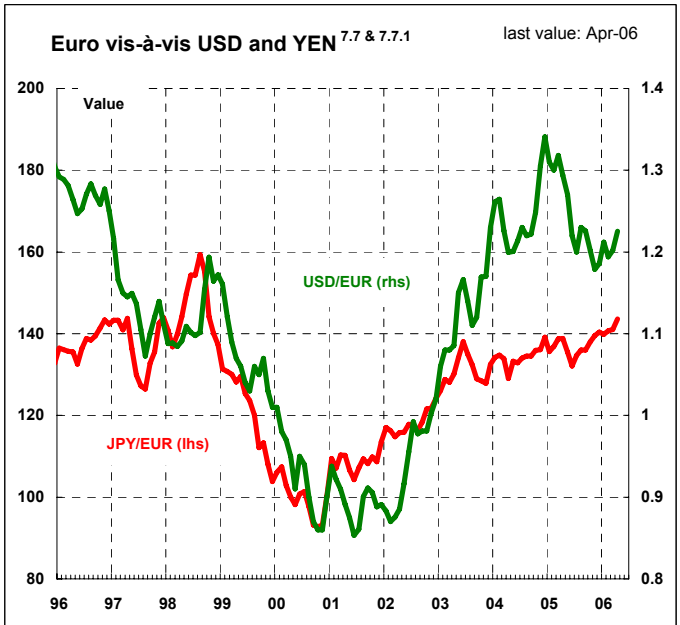
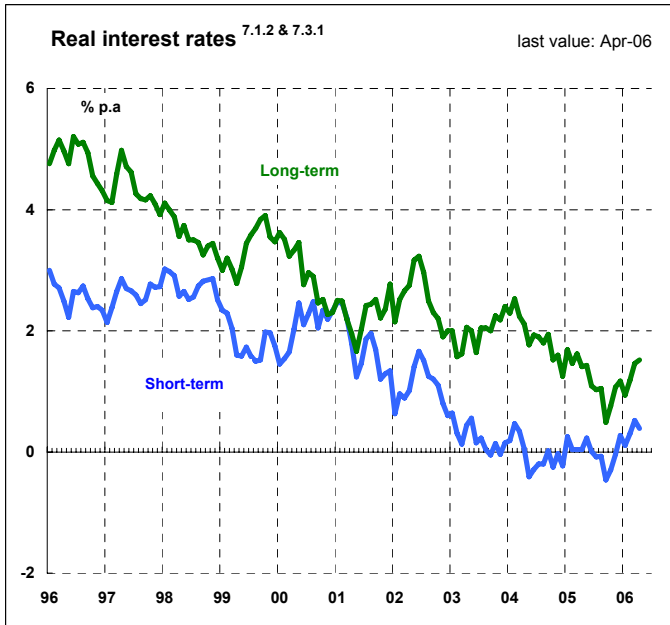
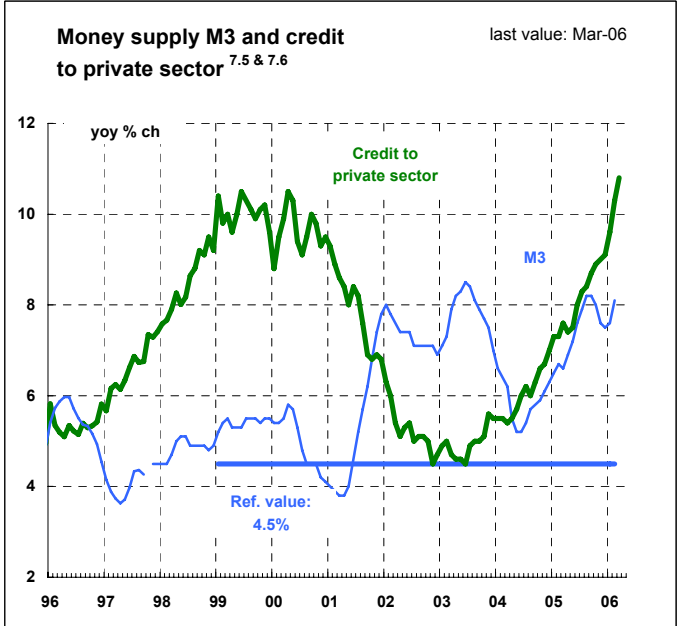
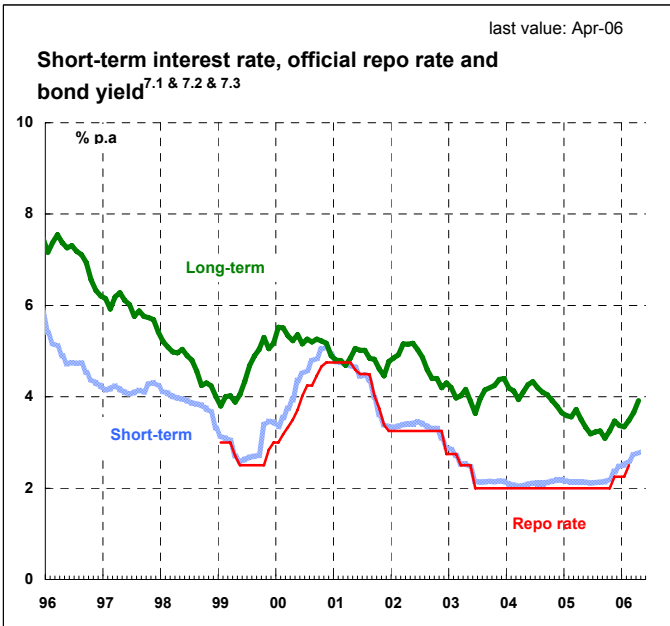




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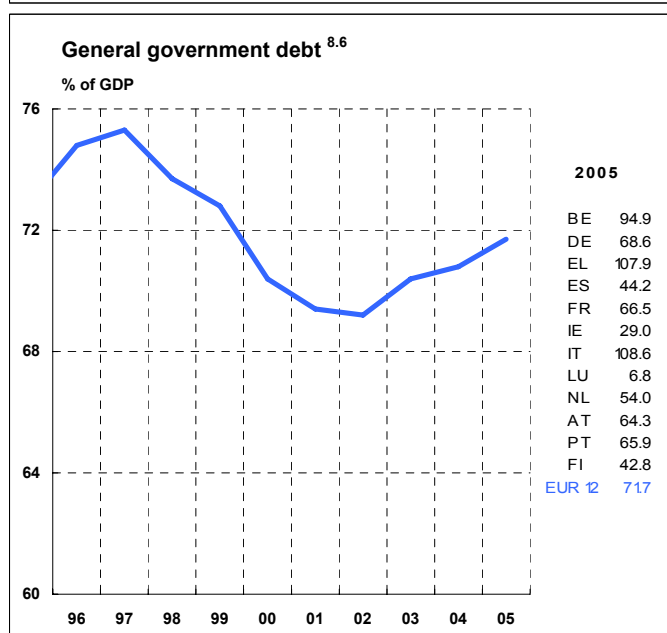
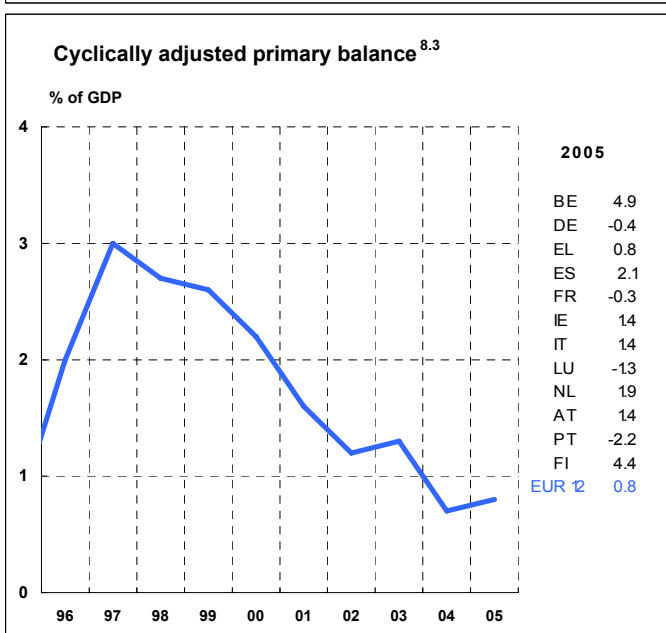
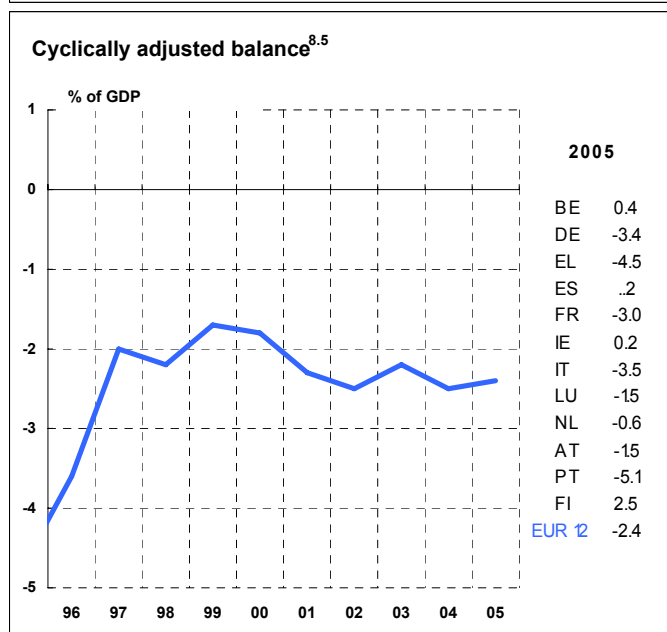
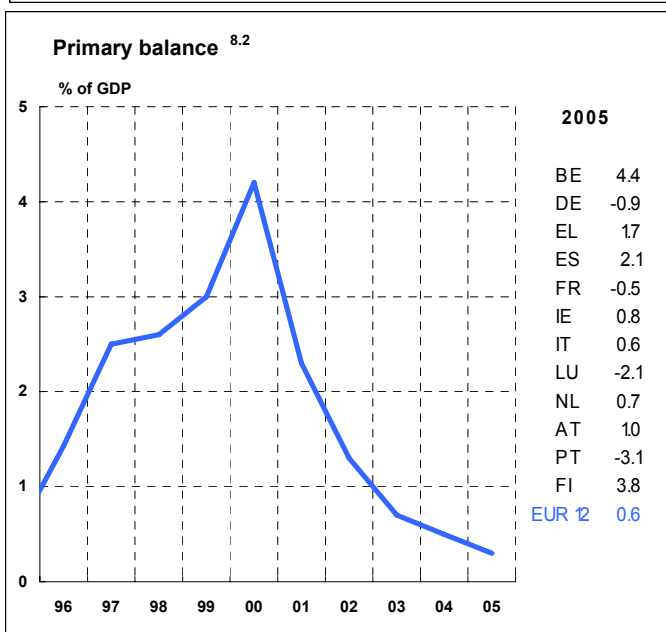
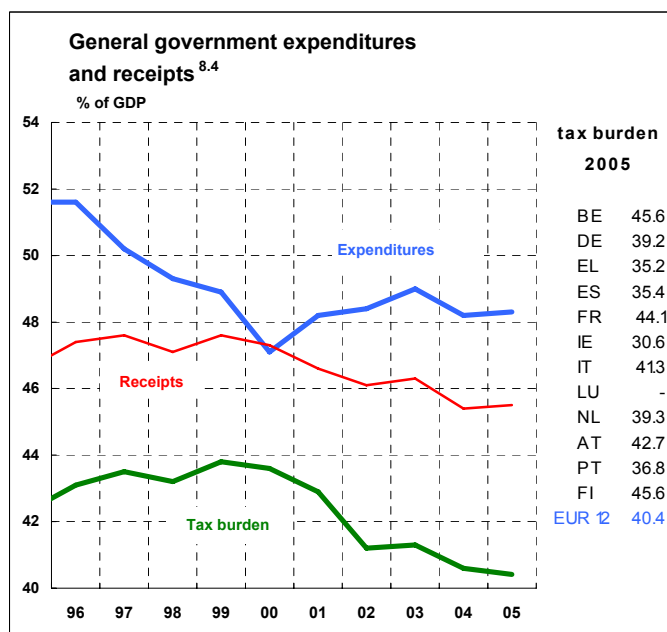
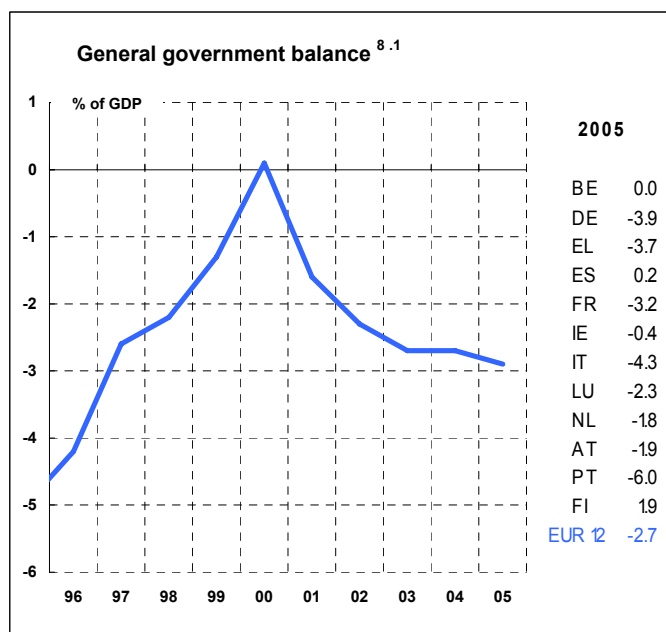


## 7. MONETARY AND FINANCIAL INDICATORS





8. PUBLIC FINANCE\*



\* Figures are from the Commission's autumn 2005 forecast and will be replaced after the spring 2006 forecast, which will take into account the Member States' notifications.

## Key indicators for the euro area - Explanatory notes

The euro area includes 12 countries (BE, DE, EL, ES, FR, IE, IT, LU, NL, AT, PT, FI)

mom % ch., qoq % ch., yoy % ch.: monthly, quarterly and annual percentage change respectively.

No.	Indicator	Note	Source
<b>1</b>	<b>Output</b>		
1.1	Industrial confidence indicator	Industry survey, average of balances to replies on production expectations, order books, and stocks (the latter with inverted sign)	ECFIN
1.2	Industrial production	Volume, excluding construction, working day adjusted	Eurostat
1.3	Gross domestic product	Volume (1995), seasonally adjusted	Eurostat
1.3.1	Gross domestic product & divergence	From 1992 until 1996 the minimum and maximum is based on BE, DE, ES, FR, IT, NL, PT and FI; from 1996 it includes also AT	Eurostat
1.3.2	Gross domestic product and forecast range	Volume (1995), seasonally adjusted; the forecast is based on confidence indicators, real and financial variables (see also ECFIN Economic Papers No 154, June 2001)	ECFIN/ Eurostat
1.3.3	Gross domestic product and standard deviation	From 1992 until 1996 the standard deviation is based on BE, DE, ES, FR, IT, NL, PT and FI; from 1996 it includes also AT	ECFIN/ Consensus Forecasts
1.4	Economic sentiment indicator	Composite of indicators for industry, construction, retail trade and consumers (1995 = 100)	ECFIN
<b>2</b>	<b>Private consumption</b>		
2.1	Consumer confidence indicator	Consumer survey, average of balances to replies to four questions (financial and economic situation, unemployment, savings over next 12 months)	ECFIN
2.2	Retail sales	Volume, excluding motor vehicles, working day adjusted	Eurostat
2.3	Private consumption	Volume (1995 prices), seasonally adjusted	Eurostat
<b>3</b>	<b>Investment</b>		
3.1	Capacity utilization	In percent of full capacity, manufacturing, seasonally adjusted, survey data (collected each January, April, July and October). Last value available for 06Q2: 82.4	ECFIN
3.2	Gross fixed capital formation	Volume (1995 prices), seasonally adjusted	Eurostat
3.3	Change in stocks	In percent of GDP, volume (1995 prices), seasonally adjusted	Eurostat
<b>4</b>	<b>Labour market</b>		
4.1	Unemployment	In percent of total workforce, ILO definition, seasonally adjusted	Eurostat
4.2	Employment	Total employment, domestic concept, seasonally and working day adjusted	Eurostat
4.3	Shortage of labour	Percent of firms in the manufacturing sector reporting a shortage of labour (unfilled job openings) as a constraint to production, seasonally adjusted	ECFIN
4.3.1	Beveridge curve	Relationship between the unemployment rate and shortage of labour as defined in 4.3	ECFIN/ Eurostat
4.4	Wages	Wages and salaries. Labour cost index, industry and services (excluding public administration), nominal, working day adjusted	Eurostat
4.4.1	Labour productivity	Difference between GDP growth and employment growth	ECFIN
4.4.2	Hourly labour costs in industry and services	Labour cost index, industry and services (excluding public administration), hourly, not seasonally adjusted	Eurostat
<b>5</b>	<b>International transactions</b>		
5.1	Export order books	Industry survey; balance of positive and negative replies, seasonally adjusted	ECFIN
5.2	World trade	Volume, 1998=100, seasonally adjusted	CPB
5.3	Exports of goods	Bn. EUR, excluding intra euro area trade, fob, seasonally and working day adjusted	Eurostat
5.4	Imports of goods	Bn. EUR, excluding intra euro area trade, cif, seasonally and working day adjusted	Eurostat
5.4.1	Intra trade	Bn. EUR, intra euro area trade, seasonally and working day adjusted	Eurostat
5.5	Trade balance	Bn. EUR, excluding intra euro area trade, fob-cif, seasonally and working day adjusted	
5.6	Exports of goods and services	Volume (1995 prices), including intra euro area trade, seasonally adjusted	Eurostat Eurostat
5.7	Imports of goods and services	Volume (1995 prices), including intra euro area trade, seasonally adjusted	Eurostat
5.8	Current account balance	Bn. EUR, excluding intra euro area transactions; before 1997 partly estimated	ECB
5.9	Direct investment	(net) Bn. EUR, excluding intra euro area transactions	ECB
5.10	Portfolio investment	(net) Bn. EUR, excluding intra euro area transactions	ECB

No.	Indicator	Note	Source
<b>6</b>	<b>Prices</b>		
6.1	HICP	Harmonised index of consumer prices, national CPI until 1996	Eurostat
6.2	Core HICP	Harmonised index of consumer prices, excluding energy and unprocessed food	Eurostat
6.3	Producer prices	Without construction	Eurostat
6.3.1	Selling price expectation	Industry survey; balance of positive and negative replies, seasonally adjusted	ECFIN
6.4	Import prices	Import unit values index for goods, 2000=100	Eurostat
6.4.1	Oil prices	Brent light; USD/barrel and EUR/barrel	Ecwin
6.4.2	Non-fuel commodities prices	Index of market prices for non-fuel commodities, 1995=100, in USD terms	IMF
<b>7</b>	<b>Monetary and financial indicators</b>		
7.1	Interest rate	Percent p.a., 3-month interbank money market rate, period averages	Ecwin
7.1.2	Real short-term interest rates	3-month interbank money market rate (period averages) minus annual percentage change of HICP (CPI before 1996)	Ecwin/ Eurostat
7.2	ECB repo rate	Percent p.a., minimum bid rate of the ECB, end of period	Ecwin
7.3	Bond yield	Percent p.a., 10-year government bond yields (before 1995 long-term bond yield available) lowest level prevailing in the euro area, period averages	Ecwin
7.3.1	Real long-term interest rates	10-year government bond yields (lowest level prevailing in the euro area, period averages) minus annual percentage change of HICP (CPI before 1996)	Ecwin/ Eurostat
7.4	Stock markets	DJ Euro STOXX50 index, period averages	Ecwin
7.5	M3	Seasonally adjusted, three-month moving average (attributed to middle month): from 1997 onwards corrected for holdings by non-residents	ECB
7.6	Credit to private sector (loans)	MFI loans to euro area residents excluding MFIs and general government, monthly values: month end values, annual values: annual averages	ECB
7.7	Exchange rate USD/EUR	Period averages, until December 1998: USD/ECU rates	ECB
7.7.1	Exchange rate JPY/EUR	Period averages, until December 1998: JPY/ECU rates	ECB
7.8	Nominal effective exchange rate	Against 13 other industrialized countries, double export weighted, 1995 = 100, increase (decrease): appreciation (depreciation)	ECFIN
<b>8</b>	<b>Public finance</b>		
8.1	General government balance	In percent of GDP, net lending (+) or net borrowing (-) general government, ESA 79 up to 1994, ESA 95 as of 1995, 2005 estimates are based on ECFIN autumn 2005 forecasts*	ECFIN
8.2	Primary balance	In percent of GDP; net lending/borrowing minus interest payment; ESA 79 up to 1994, ESA 95 as of 1995; incl. 2000 and 2001 one-off proceeds relative to UMTS licences, 2005 results are based on ECFIN autumn 2005 forecasts	ECFIN
8.3	Cyclically adjusted primary balance	In percent of GDP; primary balance corrected for the influence of the cycle; ESA 79 up to 1994, ESA 95 as of 1995, proceeds from UMTS licences excluded, 2005 results are based on ECFIN autumn 2005 forecasts	ECFIN
8.4	General government expenditure and receipts	In percent of GDP, ESA 79 up to 1994, ESA 95 as of 1995; proceeds from UMTS licences booked as expenditure with negative sign; tax burden: taxes on production and imports (incl. taxed paid to EU) + current taxes on income and wealth + actual social contributions + capital taxes; 2005 results are based on ECFIN autumn 2005 forecasts	ECFIN
8.5	Cyclically adjusted balance	In percent of GDP, general government balance corrected for the influence of the cycle; ESA 79 up to 1994, ESA 95 as of 1995, proceeds from UMTS licences excluded, 2005 results are based on ECFIN autumn 2005 forecasts	ECFIN
8.6	General government debt	In percent of GDP, ESA 79 up to 1994, ESA 95 from 1995 onwards, 2005 results are based on ECFIN autumn 2005 forecasts	ECFIN